# Progress Report

*on the Action Plan for*

*Strengthening Administration of Grants and Contributions*

**May 2000**

Human Resources Development Canada
Développement des ressources humaines Canada

Canada

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## Executive Summary

In 1999, Human Resources Development Canada (HRDC) conducted an internal audit of the documentation in the project files of HRDC's Grants and Contributions programs. Auditors found that documentation on file for individual projects often did not meet all Government of Canada and HRDC requirements. The audit did not find that money was missing or wasted.

With the release of the internal audit results on January 19, 2000, Minister Stewart launched the Six-Point Action Plan on Grants and Contributions to bring management of these projects up to expected levels. Between January and April, thousands of HRDC employees across Canada have taken action on all six points.

✔ **Payments meet financial and program requirements**

Staff reviewed approximately 17,000 active files, having a total dollar value of $1.347 billion. These files now fully meet program requirements and file management standards. The review of the 17,000 files found 6 overpayments totalling $3,229. To date, $803 has been recovered, leaving $2,426 outstanding.

✔ **Problem files have been checked and corrected**

HRDC staff reviewed all 461 files related to the internal audit. They found 8 overpayments totalling $230,649, or less than one-tenth of one per cent of the total contract value. $226,575 has been recovered to date, leaving $4,074 outstanding.

The total amount outstanding to HRDC from the review of 17,000 active files and the audited files is $6,500.

✔ **Significant progress has been made on the other Action Plan commitments, including steps to:**

- ✓ Equip and train staff
- ✓ Ensure accountability for results
- ✓ Get the best advice available

**Next Monitoring Report**

The next Progress Report will include a review of action being taken to renew the management framework for Grants and Contributions, including steps to improve training and information systems. The Performance Tracking Directorate will also verify improvements to project files. A description of the Department's independent third party review will be included.

## Background

In 1999, Human Resources Development Canada (HRDC) conducted an audit of the documentation in the project files of seven Grants and Contributions programs.

### What are Grants and Contributions?

**Grants** are unconditional transfers. Once a project is approved, the funding is not subject to further accounting or audit, although the grant recipient must meet specific eligibility criteria.

**Contributions** are conditional payments. The money has to be accounted for and it is subject to audit.

Over 90 per cent of the funding for these programs are delivered through contribution agreements.

HRDC Grants and Contributions programs are at work in communities all across Canada. They range from a $500-agreement that helps an employer to offer summer work experience to a student, to multi-million dollar projects with national organizations to provide a wide range of services to specific communities on HRDC's behalf.

They help:

- unemployed people prepare for, find and keep jobs;
- young people develop the work experience needed for the future;
- people with poor literacy skills to read and write;
- Aboriginal communities address their employment and skill challenges;
- Canadians with disabilities to participate more fully in Canadian life; and
- employers and workers find shared ways of making their workplaces better and meeting the needs of all partners.

## Program Overview

There are seven major categories of Grants and Contributions programs in HRDC.

- **Labour Market Programs** are, by far, the largest component of Grants and Contributions programming. Most involve relatively small payments to individuals, organizations and businesses that assist people to gain work experience and skills, largely through Part II of the *Employment Insurance Act*. These include:

  - Targeted Wage Subsidies
  - Job Creation Partnerships
  - Skills Development
  - Self-Employment
  - Employment Assistance Services
  - Local Labour Market Partnerships
  - Research and Innovation

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  - Job Creation Partnerships
  - Skills Development
  - Self-Employment
  - Employment Assistance Services
  - Local Labour Market Partnerships
  - Research and Innovation

- Opportunities Fund
- Canada Jobs Fund

- **Youth Programs** largely fund projects for youth who are not in school, and assist young people in getting work experience and exposure to career choices during the summer. These include:

  - Youth Service Canada
  - Youth Internship
  - Youth Information
  - Student Summer Job Action
  - Youth International Internship

- **Aboriginal Programs** are generally funded through agreements with regional and national Aboriginal organizations, delivering employment and social development programs that are geared to the specific needs and priorities of Aboriginal communities in various regions of Canada. The Aboriginal Human Resources Development Agreements include labour market, child care, persons with disabilities and youth investments, that are delivered locally through regional Aboriginal organizations.

- **Human Resources Partnerships** support employer and worker organizations in coming together to address common labour market needs in particular sectors of our economy or society, for example through Sectoral Partnerships, or the Science and Technology Program.

- **Labour-Management Partnerships** support employers and unions in testing specific innovations that will improve workplaces through the Labour Program.

- **Learning and Literacy Programs** cover a diverse range of activities, including support for literacy organizations, the development and use of new learning technologies and international educational exchanges. These include:

  - Office of Learning Technologies
  - Learning Initiatives Fund
  - National Literacy Secretariat

- **Social Development Programs** support national research and development by the voluntary, non-profit sector with a particular focus on childcare research through the Childcare Visions program.

These program categories do not include other special initiatives such as income support under the Atlantic Groundfish Strategy (TAGS), the Labour Market Development Agreements with provinces and territories, or the Urban Aboriginal Employment Initiative.

## The 1999 Internal Audit of Grants and Contributions

HRDC has an Internal Audit Bureau which conducts reviews that assist managers in identifying operational areas in need of improvement. The activity is part of a larger HRDC and Government of Canada process of continual improvement in program management. HRDC establishes an annual audit plan to review program administration and management issues.

In January 1999, HRDC's Internal Audit Bureau began a review of the administration of the Department's Grants and Contributions programs. HRDC's internal auditors reviewed departmental files from seven program areas delivered at the local, regional and national levels. HRDC's internal audit examined a total of 461 files indicating that particular follow-up was required for 37 of the audited projects deemed to have a higher risk. As part of the Action Plan, the Minister and Department committed to dealing immediately with each of these 37 projects and to reviewing more generally all the audited files.

These audited files represented approximately $235 million in projects under Grants and Contributions from all program areas. Labour market programs already transferred to provinces, and several sunsetting and new programs were excluded from the audit sample. It was impossible to extrapolate the audit results to any one program or geographic area given the sample size and audit methodology.

The auditors reviewed the files to verify if the documentation in place met all government and HRDC standards and regulations. The auditors identified areas for improvement in all programs on contracting procedures, project monitoring, and general financial practices.

Specifically, the audit recommended standardized file management procedures to ensure that all HRDC Grants and Contributions files include:

- an application from the sponsor;
- cash flow reports;
- documentation on the number of expected participants, activities to be supported and description of anticipated results;
- reports on financial and activity monitoring; and
- confirmation that the sponsor has no outstanding debts to HRDC.

The internal audit found serious shortcomings in the records associated with Grants and Contributions project files. It did not suggest that money was missing or wasted.

## The Action Plan Commitment

In January 2000, the Minister of Human Resources Development Canada, the Honourable Jane Stewart, released the 1999 audit results and also outlined the Six-Point Action Plan on Grants and Contributions to rectify problems in file management. Since that time, all concerned HRDC employees throughout Canada have been implementing the Action Plan.

**Independent Support for the Action Plan**

The Auditor General of Canada noted:
*"In our opinion, the proposed approach represents a thorough plan for corrective action to address immediate control problems ... some longer-term actions are also included that further strengthen the approach."*

The Action Plan commitment to rectifying administrative problems will help HRDC manage flexible, responsive programs in ways that ensure proper accountability for public funds.

A key component of the Action Plan is openness and transparency, including reporting on progress. This is the first progress report, covering the period from the release of the audit on January 19, 2000 up to April 30, 2000.

The Action Plan was adjusted based on input from Deloitte-Touche and the Treasury Board Comptrollership Standards Advisory Board. The Board is an independent committee set up to provide advice to the Secretary of the Treasury Board on the government's choice of standards and frameworks and their application. The Action Plan was endorsed by Canada's Auditor General.

**The Six-Point Action Plan**

1. Ensure payments meet financial and program requirements
2. Check and correct problem files
3. Equip and support staff
4. Ensure Accountability
5. Get the best advice available
6. Report progress to the public

## Action Plan Highlights – January to April 2000

Since the audit results were released and the Action Plan initiated, HRDC staff in offices across Canada have been reviewing project after project to ensure that all payments meet standards set by the Government of Canada's Treasury Board and

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HRDC. Staff are working with partners and clients in their communities to explain the Action Plan and its impacts.

As a first step, this report shows that HRDC has made significant progress in implementing the Action Plan:

- ✔ All 461 audited files have been reviewed, and corrective action taken where needed, including the 37 files identified for follow-up by the auditors.
- ✔ The Department has completed a review of approximately 17,000 active files from all Grants and Contributions programs.
- ✔ As part of the active file review, all new payments are certified as correct and consistent with government rules.
- ✔ Where required, action has been taken to adjust future payments or recover overpayments.
- ✔ The Performance Tracking Directorate has been mandated to give ongoing reports of our administration of Grants and Contribution projects.

Appendix 1 to this report sets out the progress under each of the six Action Plan elements in detail. The key elements of this progress include:

**I. Ensure Payments Meet Financial and Program Requirements**

HRDC's commitment under this element is to verify and document that all Grants and Contributions payments meet the rules set out in regulations, policies, and legislation.

To date, HRDC has taken the necessary steps to clarify and communicate to its staff the standards for project payments. HRDC staff in communities across Canada have used those standards to assess every payment in every active project.

All new payments on current files are certified as correct and consistent with government rules. Approximately 17,000 active files have been reviewed to ensure program requirements and file management standards are met (see Reviewing Grants and Contributions Files below).

**II. Check and Correct Problem Files**

HRDC's commitment under this element is to review problem files and correct any errors by establishing and recovering any overpayments.

HRDC has completed a review of all 461 audited files, including the 37 files identified for follow-up by the auditors. Findings from this review are summarized in the chart on page 10.

**III. Equip and Support our Staff**

HRDC's commitment under this element is to ensure that the right number of staff is in place with the knowledge, tools and resources to manage Grants and Contributions well.

Since January more than 3,000 program and financial staff have been trained on the Action Plan directives.

**IV. Ensure Accountability for Results**

HRDC's commitment under this element is to ensure that HRDC staff better understand their accountabilities for Grants and Contributions. This includes managers at all levels, as well as the program delivery and financial staff who deal with individual projects.

Implementation and achievement of results under the Action Plan have been made part of the basic job requirements for all executives working in Grants and Contributions.

**V. Get the Best Advice Available**

HRDC's commitment under this element is to use sound advice to improve Grants and Contributions management, including the design and implementation of the Action Plan.

Regular follow-up is ongoing with the Assistant Auditor General and the Treasury Board Comptrollership Standards Advisory Board. The Department contracted PricewaterhouseCoopers for independent reviews in June and January on Action Plan implementation. In addition, the Auditor General will assess progress in his October report.

**VI. Report Progress to the Public and Staff**

HRDC's commitment under this element is to ensure that all staff and all interested Canadians know about the Action Plan and its results.

Since the release of the Action Plan, the Minister and the Department have communicated often and openly about the Action Plan and its results, including to Parliament and the Standing Committee on Human Resources and the Status of Persons with Disabilities. HRDC tabled 10,000 pages of project information with

Parliament, an unprecedented volume of such information. In addition, the Department has provided over 15,000 pages of material to the Committee.

## Reviewing Grants and Contributions Files

A central commitment in the Action Plan is to ensure proper documentation in all HRDC Grants and Contributions files. This documentation is key to HRDC's accountability for the funds expended through these programs. This work was undertaken in three phases and concluded on April 30, 2000.

- ✓ First, the Department undertook a review of all files included in the internal audit, not just those files identified by the auditors for follow-up.
- ✓ Second, the Department undertook a review of all files active at the time of the audit release – approximately 17,000 files located in over 300 offices across the country.
- ✓ Third, in order to confirm that this work was being carried out properly, an initial sample of 76 reviewed files was further examined by the Performance Tracking Directorate.

The review of all audited and active files represents work corresponding to the first two elements of the Action Plan. Progress on the other four elements of the Action Plan also supported these efforts.

A final phase of the review of Grants and Contribution files, a review of closed files from previous years, will be conducted in the coming months. The Department is currently developing a cost-effective methodology for such a review.

**Phase 1: <u>Review of Audited Files</u>**

HRDC undertook follow-up of all 461 files reviewed by the auditors.

This review entailed a detailed examination of financial records to determine whether expenses were in compliance with acceptable standards, and were within allowable limits and expense categories. Follow-up on these files included actions such as:

- requesting further documentation;
- on-site visits; and
- on-site verifications by auditors.

Summaries of each of the audited files were produced with project descriptions, contract value, audit observations, and response to these observations. These summaries were released publicly as the review was completed and are available on the HRDC Internet site at:
http://www.hrdc-drhc.gc.ca/dept/reports/audit.shtml

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This follow-up found that:

- ✔ There were 8 overpayments in all, totalling $230,649, less than one-tenth of one per cent of the total project value, of which $226,575 has been recovered. $4,074 remains an outstanding debt and given the status of the sponsoring organizations, is unlikely to be recovered.
- ✔ The audit included a number of active files, 3 of which required adjustments to future payments. These adjustments totalled $154,347.

These 461 files are now considered complete.

### Overpayments and Adjustments

- Most project sponsors require an advance payment to begin a project.
- This advance is a recognized accounting practice for managing the cash flowing into a project in a controlled manner, and is common across government.
- These advance payments are later reviewed against allowable expenses submitted by the project sponsor and an **adjustment** can be made against the next payment.
- **Adjustments** to future payments are regular occurrences in project management, resulting from ongoing financial and activity monitoring.
- If an adjustment to a future payment is required, but the amount of the adjustment exceeds all future payments, then an **overpayment** occurs. An **overpayment** may also be created if new information is brought forward after a project's final payment which shows the project sponsor has received more monies than the sponsor was entitled to be paid.

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| SUMMARY OF AUDITED FILE REVIEW | | | |
|---|---|---|---|
| | **Files Requiring Follow-up** | **Balance of the Audited Files** | **TOTAL** |
| **General Information** | | | |
| Number of Files | 37 | 424 | 461 |
| Dollar Value of Projects | $33,278,577 | $201,337,693 | $234,616,270 |
| **Overpayments** | | | |
| Number of overpayments | 6 | 2 | 8 |
| Dollar Value | $226,369 | $4,280 | $230,649 |
| Overpayments Recovered (to date) | $225,729 | $846 | $226,575 |
| **Adjustments** | | | |
| Number of Adjustments | 2 | 1 | 3 |
| Dollar Value | $89,629 | $64,717 | $154,347 |
| **Total Actions (Adjustments and Overpayments)** | | | |
| Number of Files with Actions | 8 | 3 | 11 |
| % of Files with Actions | | | 2.4% |
| Dollar Value of Actions | $315,998 | $68,998 | $384,996 |
| % of the Value of Actions to Total Value of Projects | | | 0.16% |
| **Outstanding Overpayments** | $640 | $3,434 | $4,074 |

**Phase 2: <u>Review of Active Files</u>**

The active file review concluded on April 30, 2000. The review was based on a series of directives issued to all staff beginning on January 20, 2000. Detailed checklists were developed to implement these directives and guide the review. One checklist (checklist #1, see appendix 3) covers all aspects of a project life cycle:

- application
- assessment
- recommendation
- approval
- contracting
- client tracking data
- payments
- monitoring
- amendments
- close out

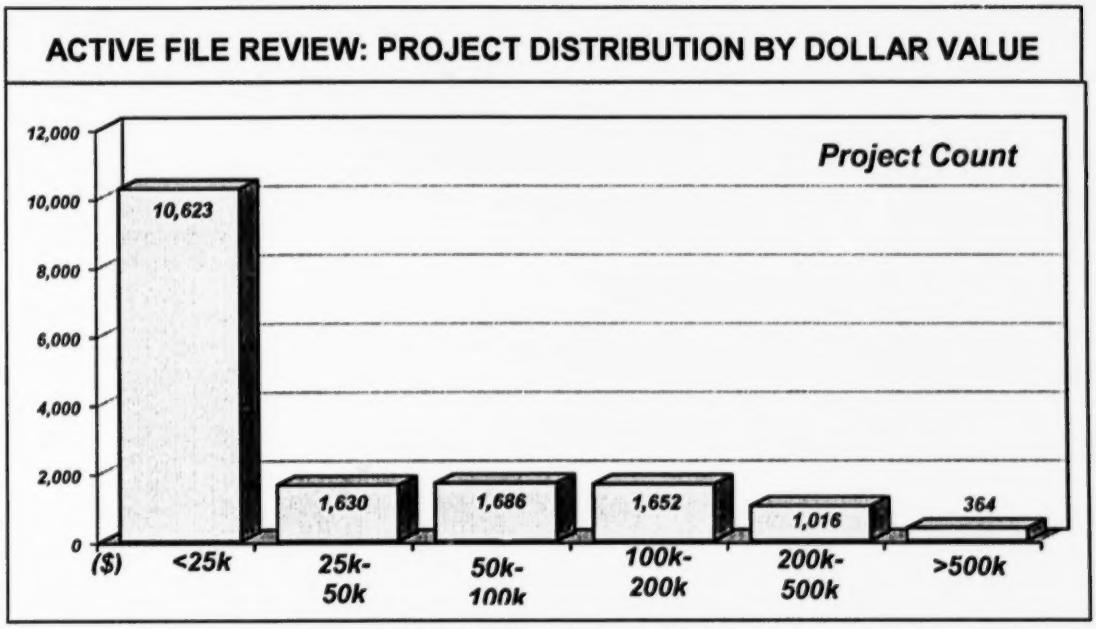
A supplementary checklist (checklist #2, see appendix 3) guides the reviewer through an examination of related factors to ensure that there are no employer/employee relationships, contravention of the *Public Service Employment Act*, or inappropriate use of contribution funds.

In January and February, more than 3,000 program delivery and financial staff in centres across Canada were trained on the new directives and how to apply the checklists. Additional training packages for elements of project management, such as negotiating skills, financial monitoring, and community partnerships were also reviewed, updated, and made available to staff. A special Intranet site was established to provide quick response to technical questions from program delivery staff.

Each of the nearly 17,000 active files were reviewed against the directives using the checklists (see Chart below).

| SUMMARY OF ACTIVE FILES | | | |
|---|---|---|---|
| **Program** | **Number of files** | **Dollar Value** | **Percentage** |
| Labour Market Programs | 11567 | $765,513,456 | 56.83% |
| Aboriginal Programs | 251 | $250,981,738 | 18.63% |
| Youth Programs | 4012 | $215,861,960 | 16.03% |
| Human Resource Partnerships | 312 | $69,064,653 | 5.13% |
| Learning and Literacy Programs | 518 | $22,868,297 | 1.70% |
| Social Development Programs | 259 | $22,143,981 | 1.64% |
| Labour-Management Partnerships Program | 52 | $582,112 | 0.04% |
| Total | 16971 | $1,347,016,197 | 100% |

The values of these files range considerably from several hundred dollars for a local Targeted Wage Subsidy, to multi-million dollar agreements with national organizations. However, as the following chart illustrates, the majority of projects are for small amounts. More than 60 per cent are for amounts of less than $25,000 and more than 80 per cent are for less than $100,000.




The wide range in contract values resulted in differing complexity for each of the active files reviewed. Typically, active files were reviewed in the following manner:

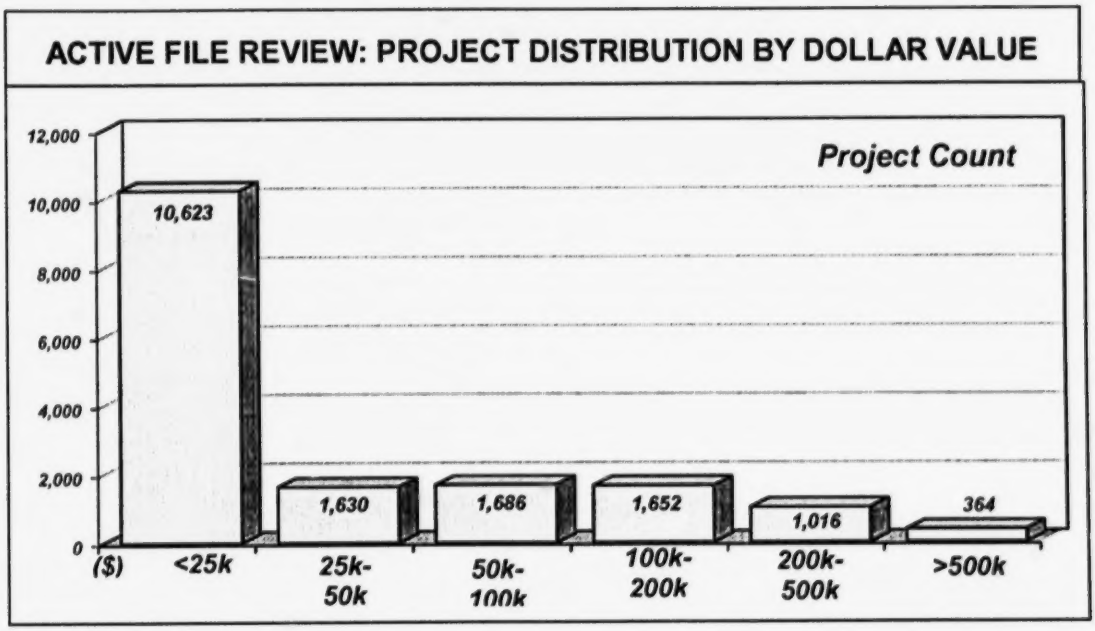
- All documentation on file was reviewed against the checklists for completeness, and any deficiencies noted.

- Corrective action against any deficiencies was taken whenever possible and documented correctly. For example, an environmental impact statement was added to the file, or a monitoring visit with the project sponsor was conducted. All corrective actions were properly noted and dated, in line with the February 16 Directive (Appendix 3), which reads: "It should be clear and apparent on the file what changes have been made to the file and the date the change was made."

- Where corrective action was not possible, a note was added to the file indicating that an error in documentation was detected and that this error will not be repeated in future files.

- All payments were reviewed against allowable expenses. If necessary, adjustments were made against future payments, or if an adjustment was no longer possible, an overpayment was declared.

- When the review was completed, the HRCC Director, the Regional Executive Head, or the NHQ Director General certified that the file had been corrected wherever possible and annotated where appropriate. Certification is a

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- When the review was completed, the HRCC Director, the Regional Executive Head, or the NHQ Director General certified that the file had been corrected wherever possible and annotated where appropriate. Certification is a

statement that the file complies with HRDC's program and financial requirements.

- Files were 'certified' and further payments authorized only when the five essential criteria of the January 20th Directive were met (Appendix 3). This directive requires that:

  - A signed agreement is in place that meets the approved Treasury Board Terms and Conditions for the program;
  - HRDC staff who have the officially delegated financial authorities to sign the agreement or the payment approval have done so;
  - Any advance contribution payment meets Treasury Board Policy and Guidelines;
  - The sponsor/payees have submitted the required claim forms and supporting documentation; and
  - All expenses claimed have been reviewed and certified to be allowable expenses under the contribution agreement and the specific program's terms and conditions.

This review was completed April 30 with the following results:

| SUMMARY OF ACTIVE FILE REVIEW | |
|---|---|
| **General Information** | |
| Number of Files | 16,971 |
| Dollar Value of Projects | $1.347 Billion |
| **Overpayments** | |
| Number of Overpayments | 6 |
| Dollar Value | $3,229 |
| Overpayments Recovered (to date) | $803 |
| **Adjustments** | |
| Number of Adjustments (over 25% of contract value) | 16* |
| Dollar Value | $746,635 |
| **Total Actions (Adjustments and overpayments)** | |
| Number of Files with Actions | 22 |
| % of Files with Actions | 0.1% |
| Dollar Value of Actions | $749,864 |
| % of the Value of Actions to Total Value of Projects | 0.06% |
| **Outstanding Overpayments** | $2,426 |

*Normal file monitoring activity routinely results in adjustments to future payments. Adjustments greater than 25% due to the active file review are reported in this table.

**Phase 3: Verify the Active File Review**

HRDC established a Performance Tracking Directorate as a quality control mechanism for measuring progress in the way its Grants and Contributions

programs are being administered. Through its mandate the directorate will provide assurance that Grants and Contributions funds are being managed and expended in accordance with program terms and conditions, highlight key areas of risk, and provide guidance on approaches to mitigate those risks.

To date, the Tracking Directorate has focused on:

- Supporting efforts to review and correct problem files identified in the 1999 audit as requiring further follow-up—the Performance Tracking Directorate supported the review and reporting on the 37 project files identified for follow-up in the audit (completed in late February 2000); and
- Carrying out a review on a sample of files to provide senior management with an assessment of the effectiveness of the Active File Review in ensuring compliance with the directives issued by the Department.

The Tracking Directorate has reviewed an initial sample of 76 files from the active files that have been certified. The results were:

- ✔ All payments made after January 20, 2000 met the five essential criteria outlined in the national directive.
- ✔ All files had been reviewed in response to the directive.
- ✔ Overall, the directives issued had been adequately implemented and were having a positive effect on the administration of projects.

The report from the Performance Tracking Directorate is contained in Appendix 2.

## Next Monitoring Report

The upgrading of the Department's administrative practices is well under way, but more remains to be done. One of the fundamental challenges is to strike the right balance between responsive service to clients and clear accountability to taxpayers.

For the next progress report, the Department will continue to strengthen its accountability structures and management processes in line with the commitments set out in the Action Plan. This means that over the next months, a priority will be given to introducing a renewed management framework for Grants and Contributions programs. This framework will ensure that adequate staff and resources are in place, and staff are fully trained. The Department will begin development of new information management systems to support this framework and the programs.

In addition, the next progress report will update Canadians on improvements in Grants and Contributions administration as verified by the Performance Tracking Directorate. Finally, the report will contain an independent, third party review of the Department's work in implementing all elements of the Action Plan.

# Appendix 1

# The Six-Point Action Plan to Strengthen Grants and Contributions

## Detailed Status Report

## January – April 2000

## ACTION PLAN POINT 1 – *Ensure Payments Meet Financial and Program Requirements*

**GOAL – HRDC can verify and document that our Grants and Contributions payments meet the rules.**

| Commitments | Results to Date |
|---|---|
| We will clarify the rules governing payments. | On January 20, 2000, HRDC's Assistant Deputy Ministers of Financial and Administrative Services and Human Resource Investment issued a directive.<br><br>HRDC staff can only issue payments when all of the following conditions are met:<br>1. A signed agreement is in place that meets the approved Treasury Board Terms and Conditions for the program;<br>2. HRDC staff who have the officially delegated financial authorities to sign the agreement or the payment approval have done so;<br>3. Any advance contribution payment meets Treasury Board Policy and Guidelines;<br>4. The sponsors/payees have submitted the required claim forms and supporting documentation; and<br>5. All expenses claimed have been reviewed and certified to be allowable expenses under the contribution agreement and the specific program's terms and conditions. |
| We will train our staff so they can implement the new directive. | More than 3000 HRDC program delivery and financial staff received training on the five-point directive before the end of February. |

## ACTION PLAN POINT 1 – *Ensure Payments Meet Financial and Program Requirements*

**GOAL – HRDC can verify and document that our Grants and Contributions payments meet the rules.**

| Commitments | Results to Date |
|---|---|
| We will clarify the documentation that a file has to contain to prove that it is "complete" and meets all financial and program standards. | We issued a comprehensive checklist of the data and documentation needed to prove completeness on February 11. |
| We will review every active contribution agreement to ensure each one meets our financial and program standards. | We reviewed all active files – approximately 17,000 in all, with a total value of $1.347 billion. We found six overpayments totalling $3,229 and have recovered $803. In addition, there were 16 cases in which we adjusted future payments by more than 25% of their contract value. These adjustments totalled $746,635. |
| We will monitor the quality of our performance. | The Performance Tracking Directorate monitored implementation of the new directives and checklists. A special review shows that in a sample of 76 active files, payments do meet the directive criteria, managers are actively participating in the review of files, and staff are using the checklists to review their files. |

## ACTION PLAN POINT 2 – *Check and Correct Problem Files*

**GOAL – Clean up old project files in cost-effective ways, so that HRDC can verify and document that past Grants and Contributions payments met the rules.**

| Commitments | Results to Date |
|---|---|
| We will review the 37 files flagged in our internal audit for any needed follow-up. | We finalized all 37 files. We found overpayments of $226,369.51 on six files, or 0.7% of the total value of the agreements. We have already recovered $225,729.30, leaving $640.21 in program funds currently unrecovered. Additionally, we completed a review of the 424 remaining files that were deemed in the audit to have a lower risk. We found overpayments of $4,280 or .02% of the value of the agreements. We have already recovered $846 of this amount. |
| We will conduct a review of past activity by:<br>• Developing and implementing a screening methodology for closed files from 1998-99 and 1999-2000<br>• Applying, where feasible, the methodology on files prior to 1998-99 | Phase 1 of this process is under way. A report was received on February 29 from an independent consulting firm analysing the risks and defining a strategy. A methodology for this review is under development and will be implemented following conclusion of the active file review.<br><br>The second phase of this commitment, conducting the closed file review, will begin over the summer months. Feasibility of proceeding with a review of files prior to 1998-99 will be considered once the second phase is completed. |
| We will take action to correct errors or problems on files under review, i.e. establish and recover overpayments, refer for further investigation, etc. | In every case, we are taking appropriate steps to resolve errors or problems in files that have been reviewed. |

## ACTION PLAN POINT 3 – *Equip and Support Our Staff*

**GOAL – The right number of HRDC staff are in place with the knowledge, tools and resources to manage Grants and Contributions programs well**

| Commitments | Results to Date |
|---|---|
| We will provide HRDC staff with clear guidance on the standards for Grants and Contributions management. | We issued policy directives:<br>- January 17, on Treasury Board guidelines on payments;<br>- January 20, on the criteria for issuing payments;<br>- February 4, on 10 principles to direct project administration;<br>- February 11, on the checklist for reviewing Grants and Contributions;<br>- February 16, clarifying issues around the checklist. |
| We will seek staff views and concerns on Grants and Contributions management. | Departmental Executives and Managers regularly consult with staff to discuss key issues. Focus groups with staff were held March 18-19 and April 11-12 to listen to staff views on training and work instruments. These sessions resulted in many valuable suggestions from staff which have since been incorporated into our training strategy. |
| We will provide better tools to simplify project management and monitoring for HRDC staff. | Project monitoring checklists have been established for Human Resource Planning, Summer Career Placement, and Aboriginal programs.<br>We launched an internal website on February 20 so staff have ready access to comprehensive information on administering Grants and Contributions.<br>We have also begun a review of management of information and tracking systems. |

## ACTION PLAN POINT 3 – *Equip and Support Our Staff*

**GOAL – The right number of HRDC staff are in place with the knowledge, tools and resources to manage Grants and Contributions programs well**

| Commitments | Results to Date |
|---|---|
| We will assess the workload and staff capacity for managing Grants and Contributions. | We assessed our review capacity and taken steps to ensure completion of the review of audited and active files in our local and regional offices and at National Headquarters. Where possible, we have reallocated existing financial and human resources to support Action Plan activity. An assessment of resource requirements will be completed by June 30. |
| We will train staff so they have the knowledge to do their work well. | All project officers have received training on the five-point directive and most have completed project management upgrade training. Existing training modules for negotiating skills, financial monitoring, community partnerships and program management have been reviewed and revised where necessary. Additional training packages will be available in the coming months. Staff are being consulted to ensure training needs are identified and met. |
| We will put the people and resources in place to meet immediate Action Plan needs. | We put the people and resources in place to deliver the Action Plan. All offices reassigned staff to review audited and active files for completeness. We mandated the Performance Tracking Directorate to provide ongoing reports on our progress. (See appendix 2) |
| Our National Management Board will consistently assess staff response to the Action Plan. | Departmental Executives and Managers regularly consult with staff on the Action Plan. Consultations have been held with national employee representatives. Staff supports are in place through Employee Assistance Programs and additional local measures. |

## ACTION PLAN POINT 4 – *Ensure Accountability for Results*

**GOAL – All HRDC staff understand what they are accountable for on Grants and Contributions**

| Commitments | Results to Date |
|---|---|
| Everyone managing Grants and Contributions will have the Action Plan as basic job requirement. | All Executive Category personnel performance expectations for 1999-2000 include managing Grants and Contributions. It is part of the formal performance agreement for each of these executives for 2000-2001. |
| We will report to the Minister on:<br>- the Performance Tracking Directorate<br>- progress against the Action Plan | This is the first progress report. Further reports will include a more comprehensive report on new contract activity from the Performance Tracking Directorate. |
| We will report to Parliament on our plans, our activities and our achievements. | The Action Plan is described in the 2000-2001 Report on Plans and Priorities. The following representatives from HRDC have appeared before the Standing Committee since January 20:<br>• The Honourable Jane Stewart, Minister, Human Resources Development Canada<br>• Claire M. Morris, Deputy Minister, Human Resources Development Canada<br>• David Good, Assistant Deputy Minister, Human Resources Investment<br>• Alan Winberg, Assistant Deputy Minister, Financial and Administrative Services<br>• Danielle Vincent, Assistant Deputy Minister, Quebec Region<br>• Bill Ferguson, Director General, New Brunswick Region<br>• James K. Martin, Director General, Internal Audit Bureau<br>• Suzette Perreault, Director, Montreal (Centreville) Human Resource Centre of Canada |

## ACTION PLAN POINT 4 – *Ensure Accountability for Results*

**GOAL – All HRDC staff understand what they are accountable for on Grants and Contributions**

| Commitments | Results to Date |
|---|---|
| We will ensure that our accountability and management structures and our work processes are clear and effective. | We are strengthening HRDC's structures and processes:<br>• We have begun a comprehensive, in-depth review of results for all HRDC Grants and Contributions programs.<br>• We have made initial internal changes to better support nationally and regionally delivered Grants and Contributions programs. |
| We will limit computer users to one active code identifying themselves in our systems. | We eliminated dormant user codes and duplicate active codes to ensure proper systems access and to strengthen system security. |
| We will assess the possible use of a quality assurance tool. | ISO 9002 is an internationally recognized certification of quality. We will implement a pilot test of ISO 9002 in five locations, building on existing ISO 9002 successes in other HRDC operations. |

## ACTION PLAN POINT 5 – *Get the Best Advice Available*

**GOAL – HRDC uses sound advice to improve Grants and Contributions management**

| Commitments | Results to Date |
|---|---|
| We will get an independent, private sector assessment of the Action Plan. | The Action Plan was adjusted based on input from Deloitte-Touche and the Treasury Board Comptrollership Standards Advisory Board. |
| We will get expert advice to assess and comment on our Action Plan progress. | The Action Plan has been endorsed by Canada's Auditor General. Regular follow-up is ongoing with the Assistant Auditor General and the Treasury Board Comptrollership Standards Advisory Board. We contracted with PricewaterhouseCoopers for independent reviews in June and January on Action Plan implementation. In addition, the Auditor General will assess progress in his October report. |
| We will exchange information and best practices on Grants and Contributions management with other federal departments. | In addition to continued dialogue with Treasury Board Secretariat and the Privy Council Office, we have discussed issues with the other government departments and regional development agencies. |
| We will draw on the expertise of experienced HRDC staff from local, regional and national operations. | We have a dedicated team of executives and senior managers in place to support National Management Board and ensure co-ordination of Action Plan activities. |

## ACTION PLAN POINT 6 – *Report Progress to the Public and Staff*

**GOAL – HRDC staff and all Canadians know about the Action Plan and its results**

| Commitments | Results to Date |
|---|---|
| We will inform project sponsors and partners of plans and progress. | We regularly brief sponsors and partners on the steps to strengthen Grants and Contributions. |
| We will brief the media on the Action Plan and our Grants and Contributions programs. | We provided three technical briefings during the first quarter in addition to other reporting.<br><br>We have issued a series of media releases to provide new information and clarify areas of misinformation. |
| We will communicate with all HRDC staff and especially those involved in delivering Grants and Contributions. | We organized three closed-circuit TV sessions that provided opportunities for direct question and answer, including a February 4 session with the Minister and the Deputy Minister.<br><br>We also communicate regularly through electronic and printed messages to all staff. A special intranet site has been established to provide quick response to technical questions from program delivery staff. |
| The Minister and senior officials will meet with regional and local staff. | The Minister has met with local and regional office staff during recent visits to Calgary, Halifax, Toronto, Etobicoke, Montreal and Quebec. Senior officials met with local Directors to discuss Action Plan activities. |

# Appendix 2

## Grants and Contributions
## Performance Tracking Directorate Report

## Introduction

HRDC established a Performance Tracking Directorate in October 1999, as a quality control mechanism for measuring progress in the way its Grants and Contributions programs are being administered. The Directorate is part of the Department's Financial and Administrative Services Branch.

The Directorate's mandate is to:

- Provide assurance that Grants and Contributions funds are being managed and expended in accordance with program terms and conditions;
- Highlight key areas of risk and provide guidance on approaches to mitigate those risks;
- Contribute to knowledge transfer throughout the department; and
- Co-ordinate activities with other monitoring and post-audit functions carried out within HRDC and by external agencies in order to ensure adequate coverage without duplication of effort.

To date, the Tracking Directorate has focused primarily on:

- Establishing, with the assistance of expert advice, the review approach and sampling methodology to enable a statistical extrapolation of findings from the file and on-site reviews on a national, program and regional basis.
- Development of assessment tools (assessment questionnaires, interpretation guidelines, database and quality control processes) for the review of Grants and Contributions which address the overall good administrative practices as well as individual program specific requirements.
- Review of methodology with the Office of the Auditor General.
- Validation of the effectiveness of the methodology in assessing and reporting on the administration of Grants and Contributions and refinement.
- Providing ongoing advice and guidance to the Department in improving administration of Grants and Contributions.
- Supporting the Department in the task of reviewing and correcting problem files identified in the 1999 audit as requiring further follow-up—the Performance Tracking Directorate supported the review and reporting on the 37 project files identified for follow-up in the audit (completed in late February 2000); and
- Carrying out a review on a sample of files to provide senior management with an assessment of the effectiveness of the Active File Review in ensuring compliance with the directives issued by the Department.

## Ensuring Compliance with HRDC Directives

On January 20, 2000 HRDC issued a directive to all Headquarters and Regions that, effective immediately, no payments were to be issued under Grants and Contributions Programs unless five conditions were met:

- A signed agreement was in place that is consistent with approved Treasury Board Terms and Conditions;
- Delegated financial signing authorities had been adhered to with respect to the signing of the agreement and payment approval processes;
- Treasury Board Policy and Guidelines for contributions advance payments were followed;
- Required claim forms and supporting documentation had been received from the sponsors/payees; and
- All expenses claimed had been reviewed and certified to be allowable expenses under the contribution agreement and the specific program's terms and conditions.

Additional directives were issued in February, requiring the review of all active Grants and Contributions files and confirming the validation and certification processes in place.

A national checklist was developed outlining the steps to be taken to assess program requirements, to assist staff in conducting their file review.

Three weeks after the last national directive was issued, the Performance Tracking Directorate conducted a special review to assess the extent to which the national departmental directives were being carried out. The objective of the review was to provide senior management with an early assessment of the level of compliance with the national directives issued in January and February.

The Directorate chose a sample of 76 files that had undergone the active file review.

Original files were reviewed to ensure that checklists had been adequately filled out, that there was evidence on file that the five criteria outlined in the national directives were met prior to any disbursements after January 20, and that all required corrective measures had been identified for future action. Quality control was conducted on all files reviewed by the Performance Tracking Directorate.

For each file examined, a draft summary of results was completed and sent to offices outlining general conclusions of the Directorate's file review assessment. Responses from offices were also submitted to the Directorate outlining their specific feedback and follow-up action. The Directorate then carried out an analysis of findings and prepared this report. Senior Management briefings were conducted to discuss general findings and conclusions.

## Findings and Conclusions

The Performance Tracking Directorate's review confirms that HRDC is moving quickly to address issues related to program management and administration of Grants and Contributions activities. The Directorate observed that improvements have been made and provided insight into areas where additional focus is required.

The evidence suggests that, overall, the directives issued under the Six-Point Action Plan relating to the review of active files have been adequately implemented and are having a positive impact on the management and administration of Grants and Contributions.

More specifically:

- All payments made after January 20, 2000 met the five essential criteria outlined by the national directive.
- All files had been reviewed in response to the national directives.
- On all of the 76 files examined there was evidence that staff had conducted a comprehensive file review. In addition, management had actively participated in the file reviews.
- Checklists, either the national checklist provided or equivalent regional checklists, had been completed in all cases and were kept on the file. In addition, follow-up action had been taken where appropriate (for example, updated cash flow forecasts were requested from sponsors as required).
- There were instances where some clarification of initial guidelines and interpretation were required. More specific guidelines and clarification were subsequently issued during the assessment period to provide further clarification to staff during the period of our review.
- During the course of the assessment the Department posted on its Intranet site a how-to document entitled "Guide to Contribution Programs, Good Administration, Good Results and Accountability." This was a major step in transferring knowledge to staff about the effective administration of Grants and Contributions. In addition, questions and answers raised by staff are now being posted on the national Intranet site to assist them in understanding and complying with program requirements. A priority was given to keep the site current with evolving guidelines and tools and staff encouraged to use it as a valuable aid.

Training courses that are planned for implementation beginning in the spring of 2000 will also contribute to ensuring that staff are equipped to successfully administer Grants and Contributions.

## Next Steps

Building on the progress to date, and using the approved methodology, the Performance Tracking Directorate will be able to report project results on a national level in the next report. Subsequent progress reports will feature results at the program and regional levels.

Next steps for the Directorate will also include:

- Review and analysis of a randomly drawn sample of files to provide a measurement of the effectiveness of ongoing improvements in the administration of HRDC Grants and Contributions;

- Conducting a sample of on-site financial monitoring visits to sponsors to assess and verify the supporting financial documentation in support of payments made by HRDC. This will provide a measurement of compliance to the terms and conditions of agreements.

## Appendix 3

## Human Resources Development Canada
## Grants and Contributions
## Directives and Guidelines

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Government of Canada / Gouvernement du Canada

**MEMORANDUM NOTE DE SERVICE**

To / A: Regional Executive Heads/
Cadres supérieurs des régions
Regional Senior Financial Officers/
Agents financiers principaux des régions
Director Generals,HRIB/Directeurs généraux IRHD
Director General, AO/Directeur général, OC

From / De: David A. Good
ADM, HRIB/SMA, IRHD
Alan Winberg
ADM, FAS/SMA, SFA

Security Classification - Classification de sécurité:

Our File - Notre référence:

Your File - Votre référence:

Date: JAN 2 0 2000

Tel. No. - Nº de tél.:

Subject / Objet: **Directive - Paiements de subventions et de contributions**

**Directive - Grants and Contributions Payments**

Conformément au plan d'action du Ministère visant à améliorer la gestion des programmes de subventions et de contributions de DRHC et suite aux discussions de la haute gestion, la présente note vise à confirmer que, dès maintenant, aucun paiement ne sera effectué dans le cadre des programmes de subventions et de contributions de DRHC, à moins que les conditions suivantes ne soient respectées :

1. Un accord a été signé et est conforme aux modalités approuvées par le Conseil du Trésor (CT).

2. La délégation du pouvoir de signer les documents financiers a été respectée en ce qui a trait à la signature de l'accord et au processus d'approbation des paiements.

3. Les politiques et lignes directrices du CT visant les paiements anticipés de contributions sont respectées.

4. Les formulaires de demande des promoteurs ou des bénéficiaires, ainsi que la documentation à l'appui, ont été reçus.

5. Toutes les demandes de remboursement des dépenses ont été examinées, et il a été attesté que ces dépenses étaient admissibles aux termes de l'accord de contribution et des modalités précises du programme.

In accordance with the departmental action plan to improve management of HRDC Grants and Contributions Programs and the senior management discussions, this is to provide confirmation that, effective immediately, there are to be no payments issued under HRDC Grants and Contributions Programs unless the following conditions are met:

1. A signed agreement is in place, and the agreement is consistent and within the approved Treasury Board (TB) Terms and Conditions;

2. Delegated financial signing authorities have been adhered to with respect to the signing of the agreement and payment approval process;

3. TB Policy and Guidelines for contributions advance payments are adhered to;

4. Required claim forms and supporting documentation have been received from the sponsors/payees; and

5. All expenses claimed have been reviewed and certified to be allowable expenses under the contribution agreement and the specific program's terms and conditions.

.../2

Vous devez faire le nécessaire afin d'assurer que les gestionnaires et les employés de l'AC, des régions, des Centres de ressources humaines du Canada et des bureaux locaux s'occupant du processus d'approbation des paiements comprennent bien les conditions énoncées ci-dessus et s'y conforment entièrement. Les mesures à prendre peuvent englober, entre autres, l'arrêt de tout paiement jusqu'à ce que les processus d'assurance ou d'attestation nécessaires soient en place.

It is expected that you will take all actions you deem necessary to assure that NHQ, Regional, HRCC and Local Office managers and staff involved in the payment approval process fully understand and adhere to the conditions outlined above. These actions may include the cessation of all payments until any required assurance/certification processes can be put into place.

David A. Good

Alan Winberg

Tous les Cadres supérieurs régionaux et
tous les DG de la DGIRH /
To all Regional Executive Heads and
all HRIB DGs

Hy Braiter
Sous-ministre adjoint principal /
Senior Assistant Deputy Minister
Prestation de services / Service Delivery

: 11 fév./Feb. 2000

**Liste de contrôle visant la vérification des dossiers actifs**

Dans le cadre de notre plan d'action, en 6 points, qui vise la consolidation de la gestion des programmes de subventions et contributions, nous nous sommes engagés à étudier tous les dossiers actifs d'ici le 30 avril 2000. Afin d'y arriver, vous trouverez ci-joint une liste de contrôle à remplir lors de la vérification de chaque dossier dans votre région ou secteur de responsabilité de programme.

J'aimerais remercier la région de l'Ontario et le Sous-comité des outils et de la formation du temps qu'ils ont consacré à élaborer la liste de contrôle. Si votre région ou programme a déjà entamé l'étude des dossiers actifs à l'aide d'une autre liste de contrôle, il importe de veiller à ce que tous les éléments de la liste de contrôle ci-jointe soient inclus dans votre vérification.

On s'attend à ce que vous preniez toutes les mesures nécessaires afin de vous assurer que ces listes de contrôle soient remplies d'ici le 30 avril 2000. Je tiens à vous remercier de votre appui soutenu en ce qui concerne cette importante initiative.

**Checklist for verification of active files**

As part of our six-point action plan for strengthening our grants and contributions program administration, we have made a commitment to review all active files by April 30, 2000. In order to undertake this review, a checklist has been attached to this memorandum that should be completed for every active file reviewed in your region or program area of responsibility.

I would like to extend my thanks to the Ontario region and the Tools and Training sub-committee for their work in developing this checklist. If your region or program area has already undertaken a review of active files using a different checklist, it is important that you ensure that all the elements on the attached checklist were included in your review.

It is expected that you will take all actions necessary to ensure that these checklists are completed by April 30, 2000. Thank you for continued support on this important initiative.

*Hy Braiter*

**Pièces jointes : 2**

**Attachments: 2**

**FILE REVIEW CHECKLIST**
**Attachment 1 to February 11th Directive**

## CHECKLIST TO BE KEPT ON FILE #1

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **HRCC:**<br>**NHQ PROGRAM AREA:** | | | | | | | | | | | | | **RC No.** | | | | | | |
| **COORDINATOR / CONTRACTOR NAME:** | | | | | | | | | **PROJECT NAME:** | | | | | | | | | | |
| **RESPONSIBLE HRDC OFFICER:** | | | | | | | | | **FILE NUMBER:** | | | | | | | | – | | |
| **OPTION**<br>**(check one)** | TWS | | SEA | | JCP | | EAS | | LLMP | | OF | | YI | | CJF | | Other: | | |
| **START DATE** | **D** | | **M** | | **Y** | | | | **END DATE** | | **D** | | **M** | | **Y** | | | | |
| **HRDC CONTRIBUTION** | | | **CURRENT YEAR**<br>**$** | | | | | | **FUTURE YEAR**<br>**$** | | | | | | **TOTAL**<br>**$** | | | | |

| **DESCRIPTION (*** refers to the Five Point Criteria)** | **N/A** | **YES** | **NO** | **DATE d/m/y** | **INI** | **REMARKS: Mandatory when "N/A" or "No" is checked.** |
|---|---|---|---|---|---|---|
| **A. APPLICATION** | | | | | | |
| 1. Signed Application on file | | | | | | |
| • Business Registration Number, Incorporation Number, or Revenue Canada Business Number on file | | | | | | |
| 2. Proposal on file | | | | | | |
| 3. Proposal was unsolicited | | | | | | |
| 4. Proposal was developed in response to HRCC/NHQ Program Business Plan / Request For Proposals | | | | | | |
| 5. Proposal addresses the following:* | | | | | | *** as a minimum.** |
| • coordinator background and relationship with client group | | | | | | |
| • clear details as to how project will connect client needs and labour market gaps | | | | | | |
| • proposed activities | | | | | | |
| • start dates/end dates | | | | | | |
| • number and characteristics of targeted participants or clients | | | | | | |
| • expected source(s) of financing | | | | | | |
| • budget & cash flow forecast | | | | | | |
| • expected results and/or deliverables and time frame | | | | | | |
| **B. DEVELOPMENT/ASSESSMENT** | | | | | | |
| 1. The "Contribution Agreement Review Checklist #2" has been completed (or referenced) to ensure that proposed activities, the relationship with HRCC/HRDC, and other factors will not result in: | | | | | | |
| • a violation of the Public Service Employment Act. | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| • an employer/employee relationship between HRDC and the Contractor's employees. | | | | | | |
| • use of Contribution funds to supply goods/services to HRCC/HRDC. | | | | | | |
| • liabilities for HRDC due to public perceptions or other confusion regarding responsibility for staff, space and deliverables under the proposed Agreement. | | | | | | |
| **DESCRIPTION** | **N/A** | **YES** | **NO** | **DATE d/m/y** | **INI** | **REMARKS: Mandatory when "N/A" or "No" is checked.** |
| **B. DEVELOPMENT/ASSESSMENT** | | | | | | **Continued from page 1.** |
| 2. Consultation with internal and external partners preceded the recommendation for approval. | | | | | | |
| 3. Consultations were documented in the file. | | | | | | |
| **4. Assessment on file reflects that proposed project activities:** | | | | | | |
| • meet program Terms & Conditions. | | | | | | |
| • are consistent with the current HRCC/NHQ Program Business Plan. | | | | | | |
| • have documented community support. | | | | | | |
| • are demonstrated to be cost effective. | | | | | | |
| 5. Applicant has the capacity to accomplish objectives. | | | | | | |
| 6. Overpayments from prior Contracts or Agreements have been identified and resolved/cleared in: | | | | | | |
| • the Departmental Accounts Receivable System (DARS) | | | | | | |
| • other records concerning this organization's active agreements with HRDC on file. | | | | | | |
| 7. Environmental Pre-screening on file | | | | | | |
| • Environmental Assessment was completed and copy on file. | | | | | | |
| 8. Federal MP was consulted. | | | | | | |
| 9. MP's concurrence or comments are documented in the file. | | | | | | |
| **C. RECOMMENDATION** | | | | | | |
| 1. Rationale for recommendation is on file. | | | | | | |
| 2. Any conditions attached to the recommendation are clearly stated. | | | | | | |
| 3. An Executive Summary is on file if needed. | | | | | | |
| 4. Provincial/ territorial Concurrence is on file (for CJF) | | | | | | |
| ****** D. APPROVAL*** | | | | | | |
| *1. Agreement was approved within the delegated Approval Authority as per FAA | | | | | | |
| • Local HRCC/NHQ Program DG | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| • Regional Office/ADM | | | | | | |
| • Minister | | | | | | |
| *** ***E. CONTRACTING (funds are committed)*** | | | | | | |
| * 1. Agreement was signed within the delegated Signing Authority as per Financial Instructions for: | | | | | | |
| • Local HRCC/NHQ Program DG | | | | | | |
| • Regional Office/ADM | | | | | | |
| 2. Agreement Start Date does not precede the Approval Date. | | | | | | |
| * 3. The current Standard Agreement for the selected Option was used. | | | | | | |
| * 4. All necessary schedules and all referenced documents, with original signatures, are on file. | | | | | | |
| 5. A complete set of completed original contract documents was provided to the Contractor. | | | | | | |
| **6. Schedules clearly detail:** | | | | | | |
| • the maximum payable under this Agreement. | | | | | | |
| • a clear description of the allowable expenses. | | | | | | |
| • recipient's contribution (cash / in-kind). | | | | | | |
| • measurable objectives and outcomes. | | | | | | |
| • participant selection and recruitment procedures. | | | | | | |
| • participant tracking and follow-up requirements. | | | | | | |
| • requirement to use Contact IV for Case Management services. | | | | | | |
| **F. CLIENT TRACKING DATA** | | | | | | |
| 1. Participants meet Program Terms and Conditions. | | | | | | |
| 2. Data, including new participants, early terminations, and completions is transmitted to HRCC/HRDC via the required method on a timely basis. | | | | | | |
| 3. Participant data received by the HRCC is input / uploaded into NESS on a timely basis *by HRCC staff.* | | | | | | |
| 4. Participants still unemployed at completion of Return-to-Work Action Plan are followed up at 12 weeks, and results transmitted / uploaded into NESS. | | | | | | |
| *** ***G. PAYMENTS*** | | | | | | |
| * 1. Advances and payments were approved in accordance with Authorities per FAA | | | | | | |
| * 2. Advance amounts were based on the agreed cashflow forecast. | | | | | | |
| * 3. Claims include supporting documentation, consistent with the | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| requirements of the Agreement. | | | | | | |
| * 4. Claims were reviewed, against the agreement, prior to payment. | | | | | | |
| * 5. Claims for capital costs are supported by prior written approval for capital purchases | | | | | | |
| * 6. All advance payments have been reconciled against claims and cleared, including advances from Old Year against New Year activity (NOTE: Manual tracking required.) | | | | | | |
| * 7. Proper segregation of duties: i.e., payment requisition, input & approval not done by same person. | | | | | | |
| *8. Payments were properly coded in the financial system (advances not coded as payments against claims). | | | | | | |
| * 9. A holdback of 10% was established (see also Section J) | | | | | | |
| **II. MONITORING** | | | | | | |
| 1. Monitoring Risk Assessment on file | | | | | | |
| 2. Monitoring plan was developed at start of contract and is on project file. | | | | | | |
| 3. Monitoring included review of both service and financial activity and included appropriate tests and verifications of recorded data. | | | | | | |
| 4. Monitoring activity is documented in file and includes dates, persons involved, how conducted (on-site or off-site), areas of activity and finances reviewed (claim forms and supporting documentation/list of purchased capital assets), findings and recommendations for action. | | | | | | |
| 5. Monitoring schedule is adhered to. | | | | | | |
| 6. Follow-up actions on findings and recommendations are documented and on file. | | | | | | |
| **I. AMENDMENTS** | | | | | | |
| 1. A rationale for any amendments is documented on file. | | | | | | |
| 2. Upward amendments were approved according to the delegation instrument (Financial Instruction). | | | | | | |
| **J. CLOSE-OUT** | | | | | | |
| 1. Final payment not made (and holdback not released) until receipt of final claim and final activity report with participant outcome data. | | | | | | |
| 2. The final claim included a comprehensive Financial Statement and any claimed costs not obviously consistent with Agreement provisions were allowed only | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| after review and a documented rationale is on file. | | | | | | |
| 3. Total claims subtracted from YTD payments to determine overpayment or amount of final payment. | | | | | | |
| 4. Agreement re: Asset Disposal on file. | | | | | | |
| 5. Evaluation of the project includes: | | | | | | |
| • were objectives met and deliverables completed? | | | | | | |
| • was outcome data verified? | | | | | | |
| • would the HRCC/HRDC contract with this Contractor again? | | | | | | |

**END**

**RECORD OF PROJECT OFFICERS INVOLED IN THE ADMINISTRATION OF THIS AGREEMENT**

| NAME (PRINT) | SPECIMEN SIGNATURE | SPECIMEN INITIALS |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

## CONTRIBUTION AGREEMENT REVIEW CHECKLIST #2

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **HRCC:**<br>**NHQ PROGRAM AREA:** | | | | | | | | | | **RC No.** | | | | | |
| **COORDINATOR / CONTRACTOR NAME:** | | | | | | **PROJECT NAME:** | | | | | | | | | |
| **RESPONSIBLE HRDC OFFICER:** | | | | | | **FILE NUMBER:** | | | | | | | | - | |
| **OPTION (check one)** | TWS | SEA | JCP | EAS | | LLMP | OF | YI | CJF | Other: | | | | | |
| **START DATE** | **D** | **M** | **Y** | | | **END DATE** | | **D** | **M** | **Y** | | | | | |
| **HRDC CONTRIBUTION** | **CURRENT YEAR** $ | | | | | **FUTURE YEAR** $ | | | **TOTAL** $ | | | | | | |

**PART A**

| **REVIEW AREA** | **A. Employer/Employee Relationship** |
|---|---|

Three factors affect the determination of an employer-employee relationship in common law:

**1. The intention of the parties to the contract.**
It should be evident from the initial development and negotiation of an agreement that HRCC/HRDC and the Contractor do not intend to form an employer-employee relationship.

**2. The contract documents.**
The various forms and letters that make up the agreement documents should not contain any wording that indicates an intention by either party to enter into an employer-employee relationship. There should be no elements typical of those found in an employment contract.

**3. The actual work situation.**
This is the most sensitive and critical factor. Day-to-day working relationships with individuals providing services under agreements should not evolve into employer-employee relationships.

***Relevant caveat supplied by NHQ Legal Services:*** *"...notwithstanding that a proposal and a subsequent agreement may have been crafted in such a way as to provide no indications of an employer-employee relationship, a court may nevertheless find otherwise, based on the particular facts of a case."*

The following is a list of elements to be considered when entering into agreements. A "NO" response indicates potential risks which should be examined further. The frequency of "NO" responses on the checklist will increase the level of risk with a particular agreement and/or day-to-day working arrangement.

| **REVIEW ELEMENTS** | **YES** | **NO** | **REMARKS** |
|---|---|---|---|
| 1. Contractor is allowed to assign or hire other staff, or subcontract with others to deliver the contracted activities. | | | |
| 2. Ex-HRDC employees employed by the Contractor have an "arms-length" relationship with HRDC. | | | |
| 3. Contractor determines remuneration for project staff and/or subcontractors. | | | |
| 4. Contractor makes own provision for sickness or injury of their project staff. | | | |
| 5. Contractor is responsible for supervision of project staff, delivery of activities and has the authority to discipline project staff. | | | |
| 6. Contractor is responsible for arranging and providing appropriate training to project staff. | | | |
| 7. Contractor sets own hours of operation for delivery of contracted activities. | | | |
| 8. Contractor manages the project without HRCC/HRDC direction and chooses own methods to deliver contracted activities. | | | |

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|---|---|---|---|
| 9. Work performed by Contractor staff is not the same as that performed by HRCC/HRDC staff. | | | |
| 10. Contractor is monitored by HRCC/HRDC on the basis of results achieved, and not on a day-to-day basis. | | | |
| 11. Contractor's services will benefit the clients and participants directly, not the HRCC/HRDC. | | | |
| 12. Contractor can enter into other contracts with other organizations, i.e., is not limited to providing services under HRCC/HRDC agreements. | | | |
| 13. Contractor will use own tools and equipment to deliver activities (Contribution funds may be approved for this purpose). | | | |
| 14. Contractor uses own facilities or rents appropriate accommodation for delivery of activities (Contribution funds may be approved for this purpose). | | | |
| 15. Contractor staff do not share HRDC's communications systems, i.e., they have their own E-mail, telephone, fax, etc. (Contribution funds may be approved for this purpose). | | | |
| 16. Contractor staff do not have access to HRCC/HRDC computer systems. | | | |
| 17. Contractor staff do not have HRCC/HRDC log-in and user codes. | | | |
| 18. Contractor is allowed to terminate the contract, upon notice, as mutually agreed. | | | |

**PART B**

| **REVIEW AREA** | **B. Contravention of the Public Service Employment Act** | | |
|---|---|---|---|
| The Public Service Employment Act (PSEA) defines public service employment and prescribes the process by which federal departments shall meet their human resource needs. Use of Contribution funds and Contribution Agreements to arrange for persons to carry out tasks within an HRDC's operations which would normally be done by a federal civil servant (e.g., program delivery, administration, reception, data entry, etc.) is a violation of the PSEA.<br><br>The following is a list of elements to be considered when entering into agreements. A "NO" response indicates potential risks which should be examined further. The frequency of "NO" responses on the checklist will increase the level of risk with a particular agreement and/or day-to-day working arrangement. | | | |
| **REVIEW ELEMENTS** | **YES** | **NO** | **REMARKS** |
| 1. Contracted activities are not as a result of a staffing shortage within the HRCC/HRDC. | | | |
| 2. Contracted activities are not the same as or similar to HRCC/HRDC activities. | | | |
| 3. Contractor staff do not perform HRCC/HRDC duties and functions. | | | |
| 4. Contractor staff do not replace HRCC/HRDC staff nor provide relief during HRCC/HRDC staff absences. | | | |

**PART C**

| **REVIEW AREA** | **C. Use of Contribution Funds** |
|---|---|
| Federal Government Financial Regulations make a clear distinction between Operating and Maintenance (O&M) Funds and Contribution Funds.<br><br>O&M Funds are used for the cost of federal department operations (salaries, accommodation, equipment etc.) and the costs of goods and services of which the department - in this case, the HRCC/HRDC office - is the direct recipient (materials and supplies, staff training, diagnostic assessments of HRCC/HRDC clients, surveys, translation services, literature production, etc.).<br><br>Contribution Funds (e.g., EI Part II funds) are intended to support activities and the delivery of services which are within the | |

department's mandate, but of which the department is not the direct or sole recipient. Contribution funds may be paid only for demonstrated costs incurred by the Contractor and may not be paid on a "fee-for-service" basis. However, the demonstrated costs of the Contractor may include costs which are *invoiced to them* by a supplier on a fee-for-service basis (e.g., taxi, plumbing, consultant's or psychologist's services, staff training, etc.).

See Appendix A, *Use of Contribution Funds*, for examples in this regard.

The following is a list of elements to be considered when entering into agreements. A "NO" response indicates potential risks, which should be examined further. The frequency of "NO" responses on the checklist will increase the level of risk with a particular agreement and/or day-to-day working arrangement.

| REVIEW ELEMENTS | YES | NO | REMARKS |
|---|---|---|---|
| 1. Project supplies services to individual clients and/or other non-government organizations and/or the general public. | | | |
| 2. Project's purchases of supplies and services are only for its own use in delivering services. | | | |
| 3. Project does not supply goods and/or services which are of direct benefit to the HRCC/HRDC. | | | |
| 4. Project activities are appropriate to the contracted Benefit or Measure under applicable legislation, regulations, and guidance. | | | |
| 5. Payments are not made to the HRCC/HRDC for any goods, equipment, accommodation, or services provided for the project (e.g., paper and other supplies, computer upgrades, office space, fax or other telephone lines, etc.). | | | |
| 6. Project costs are reimbursed on the basis of actual costs incurred, and not on a "fee-for-service" basis. | | | |
| 7. There has been no splitting of the Agreement to circumvent delegated authority limitations. | | | |
| 8. The Agreement has been approved and signed by HRDC representatives who possess the delegated authority consistent with the Agreement value. | | | |

**PART D**

| REVIEW AREA | D. Liability/Overall Perception |
|---|---|

Nothing in the way the project represents itself or its services should create the impression that the service is directly provided by federal employees of the HRCC/HRDC. Current HRDC policies to promote partnerships and alternative service delivery mechanisms, as well as, HRDC Visibility Guidelines do not absolve the HRCC (HRDC) from potential liability risks or risk of Employer/Employee relationships.

The following is a list of elements to be considered when entering into agreements. A "NO" response indicates potential risks which should be examined further. The frequency of "NO" responses on the checklist will increase the level of risk with a particular agreement and/or day-to-day working arrangement.

| REVIEW ELEMENTS | YES | NO | REMARKS |
|---|---|---|---|
| 1. The Contractor is responsible for their own business decisions. | | | |
| 2. The Contractor, not HRDC, has liability for all space, equipment, furnishings, materials and supplies used by the project. | | | |
| 3. Project signage, advertising, and literature (including business cards and letterhead) prominently and clearly identify the Contractor as the provider of the service, and HRDC as the funder. | | | |
| 4. The Project does not share a Website with HRCC/HRDC. | | | |
| 5. The Project is easily distinguishable from the HRCC (HRDC), i.e., it is located in non-Federal | | | |

| | | | |
|---|---|---|---|
| premises separate from the HRCC/HRDC. | | | |
| *Even though it may be housed in the same building:*<br>• *the Contractor has full control over its own reception, entrances, exits and security arrangements.* | | | |
| • *visible clues such as layout, partitions, etc. clearly differentiate Project staff and service areas from HRCC/HRDC staff and service areas.* | | | |
| 6. The public can easily identify former HRCC/HRDC employees as now employed by, and responsible to, the Contractor. | | | |
| 7. The Project has its own telephone system and phone number(s) (i.e. non-HRDC). | | | |

**End** **See appendix on Use of Contribution Funds on the next page**

**Guidelines on the Grants and Contributions Directives- February 16, 2000**

**The Directives issued on January 20 and February 4, 2000 refer to the requirement for certification that *" Required claim forms and supporting documentation have been received from the sponsors/payees..".* Does this mean that receipts and invoices are required from the sponsors in order to approve payment?**

- The requirement set out in the Directives does not impose or require any new or additional documentation (such as invoices, receipts etc.) from sponsors / payees in support of payments.

- The reference to "required claim forms and supporting documentation" refers to the claim forms and any supporting documentation currently required under the Terms and Conditions of the program and HRDC Operating Guidelines for the specific program.

**The review against the checklist required prior to approval of a payment revealed that an Application is not on file for an agreement signed and in force prior to the directive. Can the checklist be signed and the payment approved?**

- An application is not to be produced after the fact to complete the documentation on file.

- It should be noted on the checklist that the application is not on file to show review done and that this agreement predates directive.

**The review against the checklist required prior to approval of a payment revealed that the active agreement in force prior to the directive did not receive the appropriate approval (e.g. NHQ, RHQ or Minister's approval not sought). Can the checklist be signed and the payment approved?**

- An approval is not to be sought after the fact to complete the documentation on file.

- The fact that the appropriate approval was not sought should be noted on the checklist and that this agreement predates directive

- All agreements after the date of the directive should have the required approval before they are signed.

**Guidelines on the Grants and Contributions Directives- February 16, 2000**

**In order to complete the documentation of file, additional documents are required to be added to the file and amendments to the current documentation are required. How are the deficiencies of documentation to be corrected? Is it permissible to amend current documentation? Will this not be seen as tampering with official files?**

- All additions of documentation to program files, such as applications / proposals, monitoring reports etc. located subsequent to the audit file review, should be noted as to the addition and date of addition.

- Documents currently on file are not to be altered. If an amendment to the active agreement is required a formal amendment is to be done and should be dated the day of the amendment.

- It should be clear and apparent on the file what changes have been made to the file and the date the change was made.

**Do Allowances under Part 2 and Tuition paid to individuals fall under the directive requirements?**

- Assistance under Part 2 and Tuition paid to individuals do not have the same type of delivery process. Thus checklists and the countersigning is not directly related or feasible.

- However, the aspect that normal documentation and adherence to established policies and signing authorities apply and are expected to be followed.

**What about advances at year end?**

- Advance payments to sponsors issued in March (old year) are to be limited to that required, according to the schedule of payments based upon the agreement and the forecasted cash flow, to cover sponsor's expenses for the month of April.

- In cases where the advance amount, under the terms and conditions of the program, set out quarterly (three-month advances) or monthly but with an initial advance of for the first two months, the payment issued in March is to cover only the requirements for April.

**Guidelines on the Grants and Contributions Directives- February 16, 2000**

- The remaining portion of the moneys to be advanced for requirements for May and June are to be issued as a New Year charge in April.

**The Treasury Board Guidelines refer to *" in exceptional circumstances where a department deems it necessary to meet program objectives and is permitted under the agreement, an advance may be made prior to the end of the year, but shall not exceed the expenditures expected to be incurred by the recipient during April."* Is there a need to setting out in individual cases the exceptional circumstance in order to authorize individual contribution advances?**

- The requirement under the Directives is to assure that the payment of advances is in accordance with the Treasury Board Policy and the Treasury Board approved HRDC Terms and Conditions for each program.

- Part of the Treasury Board Policy is that departments are to submit Terms and Conditions on how programs are to be administered to the Treasury Board for approval (including advance payments).

- The issuance of advances in March for the sponsor's requirements for April is based upon the determination that our recipients require the funds in advance in order to continue operating, to meet their April cash flow forecasts and thus are deemed to be necessary to meet program objectives.